



May 11, 2006

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Subject: Comments on the “Preliminary Draft Evaluation of Port Trucks and Possible Mitigation Strategies”

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PMSA and our members, that represent approximately 90 percent of the container cargo that transits the west coast of the United States, are committed to efficiently dealing with the increased volumes of cargo to service the people of California and the United States in an environmentally responsible manner. We recognize that we are in a key position of providing services to a healthy growing sector of the California and U.S. economy that does have some adverse impacts to the environment. There is a very real need to balance the needs of the economy with those of the environment and we are committed to achieving that balance.

Our members are making marine terminals more efficient to help meet the ever increasing demand for imported goods and provide efficient and affordable means for California business to export products abroad. Efficient handling of truck traffic through our terminals is a major component of every operator's business. Significant investments have been made at the terminals for technologies to improve the flow of trucks, such as optical character readers and radio frequency identification (RFID) equipment. It is important to note that these technologies were incorporated within the context of the most recent West Coast Labor Agreement. The OffPeak programs administered by PierPass will extensively use RFID equipment to more efficiently identify and direct trucks and cargoes through the terminals.

The Pacific Merchant Shipping Association (PMSA) appreciates this opportunity to comment on the “Preliminary Draft Evaluation of Port Trucks and Possible Mitigation Strategies” While PMSA wishes to acknowledge the efforts of the California Air Resources Board (CARB) for preparing a document on this very complex and somewhat controversial subject in such a limited amount of time, we must also express our disappointment that our previous comments regarding flaws in the cargo forecasts, container fees, and terminal operations, have still not been addressed and those errors are carried over to this evaluation. As an example, on page 5 statistics are provided that state that from 2005 to 2020, container volume is expected to increase by 152 percent. There

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is no citation that supports that projection. And there is still no acknowledgment that without significant improvements to the transportation infrastructure, both freeway and rail, and changes in the current labor agreement that will allow for the projected cargo velocity, that rate of growth cannot be supported in California.

#### Recommendations for Revised Draft

It must be recognized that most of the existing truck fleet is not optimized for the port drayage operation. As your analysis shows, the existing truck fleet is dependent on the use of second-hand equipment that was originally intended for long-haul operations. If the intent here is truly to improve drayage operations at the port then it makes sense to use equipment designed for that intended use and is optimized for emission reductions, fuel economy, safety, and maintenance. In addition, if the goal is to maximize the air quality benefits of modernizing port drayage trucks then it only makes sense to use the lowest emitting engines that will be available for the 2007 model year and beyond.

It is because this analysis does not incorporate ways to improve the current model of how port drayage trucks are used that makes us believe it is necessary to challenge many of the assumptions. There needs to be a concerted effort to correct the underlying assumptions in order to make the best long term decisions.

PMSA is also concerned that the strategies are dependent on the existing business model for drayage trucking at the ports and there is no attempt to address needed changes in how trucks operate. Strategies to reduce or eliminate truck trips that don't carry cargo are ignored, although the concept of a virtual container yard is already under development. The use of old, cast-off trucks is accepted as the appropriate means to continue these operations into the future without consideration that using specially designed trucks for the port drayage business could result in significantly greater savings in air emissions and fuel consumption. The use of specially designed vehicles dedicated to port operators would also assist in identification of those vehicles for access to port terminals and would be a deterrent to the migration of those vehicles towards other applications.

PMSA therefore recommends that CARB develop an additional strategy to address these concerns. The new strategy should incorporate the basic concepts of equipping all trucks that are going to stay in service for more than two years with particulate traps or oxidation catalysts. Equipment not capable of being retrofitted should be given highest priority for replacement. Where the new strategy diverts from the existing strategies is the replacement port of drayage trucks with those specifically designed for that application and optimized for air quality, fuel economy, and safety. Cost savings should be realized through the standardization of the fleet profile and lower operational and maintenance costs to the drivers.

#### Driver Economic Profile

However, there are elements of the evaluation that we must point out as being seriously flawed. For example, the second paragraph of the "Driver Economic Profile" is incorrect. In addition, page ix, includes the statement that, "Program enforcement could be the responsibility of the ports through the terminal operators. Trucks would be

monitored when they are processed at the terminals before container pick-up or delivery.” This is a very general statement with little operational detail and demonstrates a lack of understanding of the relationship between the trucking company and the terminal operator. The statement is also of concern since it implies that the cost of the enforcement would be borne by the terminal operators and ignores that the responsibility for performing this task could be resisted by labor. We would recommend that the responsibility (or penalty) be placed on the trucking company that dispatches a truck that is not in compliance to a marine terminal. Only in rare instances do marine terminals provide for trucking services. The vast majority of trucking is arranged by the cargo owner, third party logistics provider or an ocean carrier. Drivers work for trucking companies – many of which are poorly capitalized and provide minimal services other than dispatching, and are paid by the trucking company on a per move basis, with approximately 30 percent of this fee going towards the trucking company that dispatched them.

We believe that it is because of this misperception of the relationship of the terminals to the truck drivers that the concept of container fees (which we are convinced are not legal) continues to appear. Then, adding to that misconception is the concept that enforcement of the program should be the responsibility of the terminal operators. It makes much more sense that it be enforced by the trucking dispatch companies that hire the owner-operators to do this work. Terminal operators are not equipped or qualified to enforce a truck program. To require terminal operators to take the time to verify a truck's age and registration and impose and collect fees from non-compliant trucks would likely result in additional delays at the gate and violate the statutory limits on queue idling time of no more than 30 minutes.

#### Lack of Incentive to Accelerate Turnover

The strategies presented all suffer from the same basic flaw; the incentive is based on the cost difference between buying a newer truck at the time that the owner-operator is ready to sell their existing truck. Since there is no financial benefit to entice the owner-operator to get rid of their existing vehicle it is unlikely that the goals outlined will be met on the schedule provided. There are a number of factors that are not included in this analysis which include any outstanding debt on the existing truck retired and the tax burden associated with any incentive to purchase the “newer” truck. If the concept is to wait until the current vehicle no longer functions and the owner-operator has no option but to purchase a replacement vehicle then the analysis works. If the goal is to accelerate the turnover of existing vehicles, then consideration of any outstanding debt, the tax burden associated with the incentive, and the entire purchase price of the vehicle must be considered. In addition, there will probably be increases in insurance rates and registration fees that should be factored in over the life of the project. These could be offset by reduced maintenance costs and fuel savings if there isn't a significant increase in horsepower of the replacement truck. The concept of the cost being based on the difference in average age purchased may work off a graph but probably wouldn't work in the real world. Each truck replacement will have to be judged on its own merits and the available population of vehicles. Finally, there should be a strategy to replace the highest polluting vehicles with the cleanest vehicles at the earliest possible date.

We believe this is the reason that the cost estimates appear to be overly optimistic. The other programs discussed here are attempting to accelerate the turnover of the existing trucks in addition to providing funding incentives to purchase the newest truck possible. To achieve that goal the Gateways City Fleet Modernization Program has been spending over \$25,000 per replacement and if the values for the SECAT program on page C-2 are correct they are spending over \$100,000 per truck.

#### Truck Population

Clearly there is a need to refine the estimate of the truck population for more accurate cost and emission benefit calculation. For example, on page iv, the report states, "In 2002, ARB staff estimates that approximately 72 percent of port trucks are model year 1993 or older...only 28 percent of the existing truck fleet was new enough (truck model year 1994 and newer) to support retrofit with a DPF for PM control." This is a misleading statement. On page 11 of the report in Table 1-3, the CARB predicted 2005 port fleet population and age distribution has actually DECREASED to 50 percent of port trucks that are model year 1993 or older and the percentage of trucks new enough to use a DPF INCREASED to 50 percent.

This problem is further compounded by the use of the 2002 truck inventory data to predict the current and future fleet of trucks that will service the ports. The sample of trucks used to develop the replacement strategies (Appendix B, Table 1) has trucks with horsepower ranges from 250 hp to 500 hp, vehicle ages from 1994 to 2006, costs from \$9,500 to \$123,000, and mileage from 93,000 to 898,000. With the magnitude of these ranges and the lack of any evaluation as to whether there is an adequate fleet to replace the existing trucks, we have to question the accuracy of the estimated costs and emission benefits of the program.

As you are no doubt aware the Ports of Long Beach and Los Angeles have hired a consultant to do exactly that. In addition, the administrator of PierPass, the OffPeak terminal program, is developing a list of trucks that service the Ports through the issuance of RFID devices. The analysis would greatly benefit from the incorporation of more accurate and up-to-date information.

#### Appendix C - Incentives

There needs to be discussion on the potential for funding coming from the general obligation bond proposals to be submitted to the voters at the November 7, 2006, statewide general election, including a \$19.9 billion transportation bond - The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.

The transportation bond is contained in SB 1266 (Perata). Section (c) of the bill dedicates \$3.1 billion to the California Ports Infrastructure, Security, and Air Quality Improvement Account. This should also address how the state funding could be used as a match for the funds from the Energy Policy Act of 2005 (H.R. 6).

Again, thank you for the opportunity to comment, if you have any questions or would like to discuss further, please contact me at (562) 377-5677 or by e-mail at tgarrett@pmsaship.com.

Sincerely,

*/s/ TL Garrett*

T.L. Garrett  
Vice President